

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF CHIMNEY ROCK)	
WASTE MANAGEMENT, LLC FOR REQUEST)	CASE NO.
TO OPERATE AS A UTILITY AND FOR THE)	2000-554
ESTABLISHMENT OF INITIAL RATES)	

ORDER

On December 19, 2000, Chimney Rock Waste Management, LLC (“Chimney Rock”) filed an application to operate as a utility and to establish initial rates. Several of Chimney Rock’s customers, and the Attorney General, have intervened in this case. Commission Staff has issued two data requests to Chimney Rock and one data request to the customer intervenors. Chimney Rock and the customers have responded timely to these requests. On April 18, 2001, this Commission entered an Order that unless one of the parties requested a hearing of this case, the matter would stand submitted for Commission decision. On April 27, 2001, the Commission received a request for a hearing from several customers. Based upon the foregoing, and the Commission being otherwise sufficiently advised, IT IS HEREBY ORDERED that:

1. An informal conference will be held regarding this matter on June 22, 2001, at 9:00 a.m., Eastern Daylight Time, in Conference Room 1 of the Commission’s offices at 211 Sower Boulevard, Frankfort, Kentucky. Parties shall be prepared to discuss settlement of this matter as well as procedural matters. Parties shall have individuals with settlement authority present at this conference.

2. Any party may serve interrogatories and requests for production of documents upon any other party to this proceeding on or before June 11, 2001. A

party, within 10 days from the date of service, shall serve its response upon the requesting party and file its response with the Commission.

3. On or before July 6, 2001, each party shall file the direct testimony of its witnesses, in verified form, with the Commission and all parties of record.

4. On or before July 16, 2001, all parties shall file rebuttal testimony, if any, in verified form, with the Commission and all parties of record.

5. A prehearing settlement conference will be held in this matter on July 16, 2001 at 9:00 a.m., Eastern Daylight Time, in Hearing Room 2 of the Commission's offices, at 211 Sower Boulevard, Frankfort, Kentucky. Parties shall have individuals with settlement authority present at this conference.

6. Within 20 days of the date of this Order, Chimney Rock shall obtain counsel licensed to practice law in the Commonwealth of Kentucky. See Kentucky State Bar Ass'n v. Henry Vogt Machine Co., Ky., 416 S.W.2d 727 (1967); PSC Case No. 97-441, Order dated January 23, 1998.

7. A hearing shall be held in this matter on July 25, 2001 at 9:00 a.m., Eastern Daylight Time, in Hearing Room 1 of the Commission's offices, at 211 Sower Boulevard, Frankfort, Kentucky, for the purpose of cross-examination of witnesses. No summation of direct testimony, opening statements or closing statements shall be permitted.

8. Commission Staff's report, attached as an Appendix to this Order, is hereby made a part of the record.

9. Service of any document shall be made in accordance with Administrative Regulation 807 KAR 5:001, Section 3(7), and Civil Rule 5.02.

Done at Frankfort, Kentucky, this 24th day of May, 2001.

By the Commission

ATTEST:


Executive Director

APPENDIX TO AN ORDER OF THE
KENTUCKY PUBLIC SERVICE COMMISSION
IN CASE NO. 2000-554 DATED MAY 24, 2001
STAFF REPORT
ON
CHIMNEY ROCK WASTE MANAGEMENT, LLC

On December 19, 2000, Chimney Rock Waste Management, LLC (“Chimney Rock”) filed its application with the Public Service Commission (“Commission”) requesting initial rates for sewer operations. Commission Staff (“Staff”) has reviewed the record in this case. This report summarizes Staff’s review and recommendations to the Commission.

Chimney Rock currently serves 21 single-family residential dwellings and one campground that is a sister company to Chimney Rock. The campground consists of 58 sewer sites of sorts. Chimney Rock has proposed monthly flat rates of \$43 for the residential customers and \$150 for the campground. Staff has determined the appropriate monthly residential and campground fee to be \$24.83 and \$496.67, respectively. Attachment A to this report explains Staff’s rate calculations. Page 1 of this Attachment details Staff’s recommended adjustments to Chimney Rock’s proposed operations. The remaining pages explain those adjustments. Scott Lawless is responsible for the revenue requirement determination while Brent Kirtley is responsible for the rate design.

Signatures

Prepared by: Jack Scott Lawless, CPA
Financial Analyst
Division of Financial Analysis

Prepared by: Brent Kirtley
Rate Analyst
Division of Financial Analysis

ATTACHMENT A
STAFF REPORT CASE NO. 2000-554
STAFF'S RECOMMENDATIONS

	Proposed By Petitioner	Adjustments	Ref.	Recommended By Staff
Operating Revenue				
Revenue from Residential	11,352	(5,094)	A	6,258
Revenue from Camp Ground	1,800	4,160	A	5,960
	<u>13,152</u>	<u>(934)</u>		<u>12,218</u>
Total Operating Revenue				
Operating Expenses				
Management Fee	3,600			3,600
Operator Fee	3,600			3,600
Lab Fee	1,464			1,464
Sludge Hauling	480			480
Electric Power	840			840
Chemicals	444			444
Maintenance	1,200	(1,200)	B	-
Customer Records	840	(600)	C	240
Dues	84			84
Insurance	600	(600)	D	-
	<u>13,152</u>	<u>(2,400)</u>		<u>10,752</u>
Total Operating Expenses				
Net Operating Income				
	<u>-</u>	<u>1,466</u>		<u>1,466</u>

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Rate for Campground

Revenue Requirement	12,218
Percent of Reserved Capacity for Campground = 8,000/16,400	48.78%
Revenue Required from Campground	5,960
Divide by: 12 months	12
Monthly Rate	496.67

Rate for Residential Customer

Revenue Requirement	12,218
Percent of Reserved Capacity for Residential = 8,400/16,400	51.22%
Revenue Required from Residential	6,258
Divide by: 12 months	12
Divide by: 21 customers	21
Monthly Rate	24.83

B) Maintenance. Chimney Rock proposed to include several nonrecurring repairs in operating expenses. However, they have not secured actual estimates or bids nor have they been able to indicate when exactly the repairs will be made. Absent this information, Staff recommends that these amounts be disallowed as they are neither known nor measurable.

C) Customer Records. Chimney Rock proposed \$600 in annual bookkeeping fees. Staff recommends that this amount be disallowed. Given the size of Chimney Rock, bookkeeping tasks should be minimal. It is Staff's position that the owner/manager fee recommended in this case is adequate compensation for all duties required of the owner including bookkeeping.

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D) Insurance. Chimney Rock has proposed insurance expense of \$600. Staff is of the opinion that insurance should be maintained on the plant and recovered through rates if properly documented. In this case no evidence as to the type of coverage or amount of premium has been filed despite the requests of the Commission. Therefore, Staff recommends that the amount be disallowed.